SUMMARY STATEMENT

ITEM NO.: DRPA-14-131
SUBJECT: Renewal of DRPA Claims Made Excess Liability Insurance Policy

COMMITTEE: Finance

COMMITTEE MEETING DATE: October 1, 2014

BOARD ACTION DATE: October 16, 2014

PROPOSAL: That the Board authorizes staff to bind the renewal of the DRPA Claims Made Excess Liability insurance policy. This policy is placed by our Broker/Consultant, Aon Risk Services.

Pursuant to DRPA-14-070, Aon is paid a fixed annual service fee not-to-exceed $118,250 payable in quarterly installments. Therefore, the proposed policy premium is net of commission.

Aon marketed the DRPA’s Claims Made Excess Liability Insurance Policy to several insurance companies to secure the most competitive premium.

Aon marketed the coverage to the following carriers:

- Lexington - quoted $872,370, includes TRIA (incumbent)
- Zurich - has expressed interest in quoting but no response to date
- XL Insurance - no response
- Gemini - declined due to bridge exposure
- Liberty Mutual - declined due to size of risk
- Swiss Re - declined, cannot be competitive with current pricing, terms and conditions
- ACE - declined due to bridge and rail exposures

PURPOSE: To renew the required property and casualty insurances to reduce the DRPA’s exposure to risk, and to insure against liability.

BACKGROUND: The Claims Made Excess Liability policy is a third-party liability policy that provides coverage to DRPA and PATCO for losses by reason of liability imposed by law or assumed under contract for claims involving bodily injury, personal injury, property damage or advertising injury. The current carrier is the Lexington Insurance Company. The policy limits for the expiring Claims Made Excess Liability policy is $25 million each accident/aggregate, subject to a $5 million self-insured retention.

The Authority’s existing Claims Made Excess Liability policy will expire December 31, 2014. The 12/31/2013–12/31/2014 premium for the Claims
Made Excess Liability Policy was $842,870 (including TRIA).

This is a $29,500 or 3.5% increase over the current premium. The 3.5% increase ($29,500) is a pure rate increase by Lexington and not attributed to any increase in exposure or negative claims experience.

Aon recommends that we accept the renewal option offered by incumbent, Lexington Insurance Company for the policy term 12/31/2014-12/31/2015, at an estimated annual premium of $872,370 (including TRIA). Staff concurs with the recommendation.

SUMMARY:

Amount: Claims Made Excess Liability Approximately: $872,370 (TRIA included)
Source of Funds: Revenue Fund and General Fund (PATCO portion)
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8
Master Plan Status: N/A
Operating Budget: PATCO Admin. C/E Insurance & Claims
Other Fund Sources: N/A
Other Parties Involved: Aon Risk Services and Lexington Insurance Company
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal premium from the incumbent carrier, Lexington Insurance Company, for the Claims Made Excess Liability policy for the policy term December 31, 2014 – December 31, 2015, at an estimated annual indication premium of $872,370 (TRIA is included);

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

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